

# Inspector General

United States  
Department *of* Defense



## Utility Tax Relief Program in the Netherlands

Report Documentation Page				Form Approved OMB No. 0704-0188	
Public reporting burden for the collection of information is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Washington Headquarters Services, Directorate for Information Operations and Reports, 1215 Jefferson Davis Highway, Suite 1204, Arlington VA 22202-4302. Respondents should be aware that notwithstanding any other provision of law, no person shall be subject to a penalty for failing to comply with a collection of information if it does not display a currently valid OMB control number.					
1. REPORT DATE <b>06 JAN 2010</b>		2. REPORT TYPE		3. DATES COVERED <b>00-00-2010 to 00-00-2010</b>	
4. TITLE AND SUBTITLE <b>Utility Tax Relief Program in the Netherlands</b>				5a. CONTRACT NUMBER	
				5b. GRANT NUMBER	
				5c. PROGRAM ELEMENT NUMBER	
6. AUTHOR(S)				5d. PROJECT NUMBER	
				5e. TASK NUMBER	
				5f. WORK UNIT NUMBER	
7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES) <b>Department of Defense Inspector General, 400 Army Navy Drive (Room 801), Arlington, VA, 22202-4704</b>				8. PERFORMING ORGANIZATION REPORT NUMBER	
9. SPONSORING/MONITORING AGENCY NAME(S) AND ADDRESS(ES)				10. SPONSOR/MONITOR'S ACRONYM(S)	
				11. SPONSOR/MONITOR'S REPORT NUMBER(S)	
12. DISTRIBUTION/AVAILABILITY STATEMENT <b>Approved for public release; distribution unlimited</b>					
13. SUPPLEMENTARY NOTES					
14. ABSTRACT					
15. SUBJECT TERMS					
16. SECURITY CLASSIFICATION OF:			17. LIMITATION OF ABSTRACT <b>Same as Report (SAR)</b>	18. NUMBER OF PAGES <b>24</b>	19a. NAME OF RESPONSIBLE PERSON
a. REPORT <b>unclassified</b>	b. ABSTRACT <b>unclassified</b>	c. THIS PAGE <b>unclassified</b>			

## Additional Copies

To obtain additional copies of this report, visit the Web site of the Department of Defense Inspector General at <http://www.dodig.mil/audit/reports> or contact the Secondary Reports Distribution Unit at (703) 604-8937 (DSN 664-8937) or fax (703) 604-8932.

## Suggestions for Audits

To suggest or request audits, contact the Office of the Deputy Inspector General for Auditing by phone (703) 604-9142 (DSN 664-9142), by fax (703) 604-8932, or by mail:

ODIG-AUD (ATTN: Audit Suggestions)  
Department of Defense Inspector General  
400 Army Navy Drive (Room 801)  
Arlington, VA 22202-4704

<small>DEPARTMENT OF DEFENSE</small> <b>hotline</b>	<b>To report fraud, waste, mismanagement, and abuse of authority.</b> Send written complaints to: Defense Hotline, The Pentagon, Washington, DC 20301-1900 Phone: 800.424.9098 e-mail: <a href="mailto:hotline@dodig.mil">hotline@dodig.mil</a> <a href="http://www.dodig.mil/hotline">www.dodig.mil/hotline</a>
--	--

## Acronyms and Abbreviations

FMWRC	Family and Moral, Welfare, and Recreation Command
IMCOM-Europe	U.S. Army Installation Management Command, Europe Region
LQA	Living Quarters Allowance
VAT	Value Added Tax



INSPECTOR GENERAL  
DEPARTMENT OF DEFENSE  
400 ARMY NAVY DRIVE  
ARLINGTON, VIRGINIA 22202-4704

JAN 6 2010

MEMORANDUM FOR COMMANDER, U.S. EUROPEAN COMMAND  
U.S. ARMY INSTALLATION MANAGEMENT COMMAND  
AUDITOR GENERAL, DEPARTMENT OF THE ARMY

SUBJECT: Utility Tax Relief Program in the Netherlands (Report No. D-2010-030)

We are providing this report for your information and use. We considered management comments on a draft of this report when preparing the final report.

Army comments conformed to the requirements of DOD Directive 7650.3 and left no unresolved issues. Therefore, we do not require any additional comments.

We appreciate the courtesies extended to the staff. Please direct questions to Mark A. Ives at DSN 314-483-6055.

A handwritten signature in black ink, reading "Alice F. Carey", is positioned above the printed name.

Alice F. Carey  
Acting Assistant Inspector General  
Readiness, Operations, and Support



# Results in Brief: Utility Tax Relief Program in the Netherlands

---

## What We Did

Our objective was to determine whether DOD is effectively using the utility tax relief program in Germany and the Netherlands. This report addresses DOD compliance with host-nation requirements for the utility tax relief program in the Netherlands. A second report will address the utility tax relief program in Germany.

## What We Found

The U.S. Army Installation Management Command, Europe Region, internal controls for the utility tax relief program in the Netherlands were ineffective. We identified internal control weaknesses in the implementation and operation of the program. DoD did not guarantee payment of its participants' tax-free utility bills as required by the Netherlands Ministry of Finance in order to receive tax-exempt utilities. Noncompliance with the host-nation requirements (whether intentional or not) may negatively impact international relations as well as increase the chance of the Netherlands Government revoking the tax relief privilege.

## What We Recommend

- Regional Director, U.S. Army Installation Management Command, Europe Region, develop regulatory guidance that clearly outlines the policies and procedures necessary to operate a utility tax relief program in the Netherlands that is in compliance with host-nation requirements and monitor and assist in implementing the guidance.
- Garrison Commander, U.S. Army Garrison Schinnen, modify the current utility tax relief program to comply with the guidance developed by Regional Director, U.S. Army Installation Management Command, Europe Region.

## Management Comments and Our Response

The Regional Director, U.S. Army Installation Management Command, Europe Region, and the Garrison Commander, U.S. Army Garrison Schinnen, comments were responsive to our recommendations. Management is taking action to bring the utility tax relief program in the Netherlands into compliance with host-nation tax requirements. Proposed actions were sufficient for all recommendations. Therefore, we do not require any additional comments.

## Recommendations Table

Management	Recommendations Requiring Comment	No Additional Comments Required
Regional Director, U.S. Army Installation Management Command, Europe Region		1.a and 1.b
Garrison Commander, U.S. Army Garrison Schinnen		2

# Table of Contents

<b>Introduction</b>	1
Objectives	1
Background	1
Review of Internal Controls	2
<b>Finding. Noncompliance with Host-Nation Tax Requirements</b>	3
Management Actions	4
Recommendations, Management Comments, and Our Response	4
<b>Appendices</b>	
A. Scope and Methodology	6
B. Criteria	7
C. Updated Portion of U.S. Army Europe Regulation 215-6	9
<b>Management Comments</b>	
U.S. Army Installation Management Command, Europe Region	12
U.S. Army Garrison Schinnen	14

This Page Left Blank Intentionally



# Introduction

## Objectives

Our objective was to determine whether DOD is effectively using the utility tax relief program in Germany and the Netherlands. This report addresses DOD compliance with host-nation requirements for the utility tax relief program in the Netherlands. We will issue a second report addressing the utility tax relief program in Germany. See Appendix A for a discussion of the scope and methodology related to the objective.

## Background

### ***Utility Tax Exemption Criteria***

DOD personnel<sup>1</sup> are generally not exempt from paying taxes imposed by a foreign country on the purchase of goods and services unless there is a tax agreement that provides an exception. The Ministry of Finance letter, “Exemption from Energy Control Tax,” November 10, 1997, serves as the Netherlands Government approval for DOD personnel to receive tax relief on their individual utility bills.

The Regional Director of the U.S. Army Installation Management Command, Europe Region (IMCOM-Europe), has been delegated the responsibility to administer tax relief policies, procedures, and pricing in the Netherlands. See Appendix B for a list of criteria.

### ***Utility Tax Avoidance Program in the Netherlands***

The Family and Morale, Welfare and Recreation Command (FMWRC), a subordinate command of U.S. Army Installation Management Command, administers the Utility Tax Avoidance Program (the Program) in the Netherlands through the U.S. Army Garrison, Schinnen, Value Added Tax (VAT) Office. The Program is voluntary and gives DOD personnel the opportunity to receive tax-free electricity, gas, and water when living in private housing in the Netherlands. At the time of our audit, the tax rate on utilities in the Netherlands was 19 percent. The Schinnen VAT office charges DOD personnel a one-time, non-refundable \$77 fee to offset the costs of administering the Program. In general, the Program participants personally benefit from the savings on their utility bills. However, for DOD civilians receiving Living Quarters Allowance (LQA),<sup>2</sup> DOD realizes the cost savings through reduced LQA payments, unless the civilian’s housing expenses exceed the maximum allowable LQA.

---

<sup>1</sup> For the purpose of this report, DOD personnel refers to military and civilian personnel.

<sup>2</sup> DOD civilian employees who are U.S. citizens living in foreign areas may receive a Living Quarters Allowance. This allowance reimburses employees for the cost of living quarters up to a specified maximum amount and covers costs such as rent and utilities.

## **Review of Internal Controls**

DOD Instruction 5010.40, “Managers’ Internal Control (MIC) Program Procedures,” January 4, 2006, requires DOD organizations to implement a comprehensive system of internal controls that provides reasonable assurance that programs are operating as intended and to evaluate the effectiveness of the controls. We identified internal control weaknesses for IMCOM-Europe. The IMCOM-Europe internal controls did not effectively ensure the proper implementation and operation of the Program in the Netherlands. Specifically, IMCOM-Europe officials had not issued written guidance or administered adequate oversight, which resulted in the Program not operating as intended. Implementing Recommendations 1.a and 1.b will improve the internal control weaknesses and bring the DOD utility tax relief program into compliance with host-nation requirements. We will provide a copy of the report to the senior official responsible for internal controls in IMCOM-Europe.

## **Finding. Noncompliance with Host-Nation Tax Requirements**

DOD is not complying with the requirements established by the Netherlands Ministry of Finance for DOD personnel to receive tax-exempt utilities. Specifically, the Program administered by the Schinnen VAT office does not guarantee payment of its participants' tax-free utility bills. The Program is not operating as intended because IMCOM-Europe has not provided written guidance or adequate oversight. Noncompliance with the host-nation requirements (whether intentional or not) may negatively impact international relations as well as increase the chance of the Netherlands Government revoking the tax relief privilege.

### **Utility Tax Exemption**

The stationing agreement<sup>3</sup> between the Netherlands and the United States does not provide utility tax exemption to DOD personnel. However, the Netherlands Ministry of Finance granted this exemption in 1997 with the following conditions:

- the utility “delivery is made by order of, and for account of” the DOD;
- the bill is paid by the individual, with DOD guaranteeing payment; and
- the individual has a separately metered utility bill.

In addition, utility providers have to be willing to offer tax-free service. Although the Netherlands Government has granted tax relief privileges to DOD personnel, they do not require utility companies to offer tax-free services.

### **Payment of Tax-Free Utility Bills**

Under the Program currently administered by the Schinnen VAT office, DOD does not guarantee payment of participants' tax-free utility bills. Unpaid bills are written off as a loss by the utility companies, and not paid by the Schinnen VAT office. IMCOM-Europe representatives were unable to tell us why the Program was not guaranteeing payment of the utility bills because there was a lack of documentation and continuity on the subject.

### **DOD Guidance and Oversight**

There is currently no DOD published regulation governing the administration of tax-exempt utilities in the Netherlands. The U.S. Army Europe Regulation 215-6, “Morale, Welfare, and Recreation Individual Tax-Relief Program,” January 24, 2003,<sup>4</sup> states that it is the responsibility of the Regional Director of IMCOM-Europe to administer tax relief policies, procedures, and pricing in Belgium, Germany, and the

---

<sup>3</sup> The Soesterberg Agreement, August 13, 1954, outlines the terms between the United State and the Netherlands for the stationing of U.S. Armed Forces in the Netherlands.

<sup>4</sup> U.S. Army Europe Regulation 215-6, “Morale, Welfare, and Recreation Individual Tax-Relief Program,” August 3, 2009, was issued after our fieldwork.

Netherlands. However, the regulation only provides guidance for tax relief in Germany and does not provide guidance for the Netherlands. Additionally, there is a lack of oversight from IMCOM-Europe officials over the administration of the Program in the Netherlands. Guidance and oversight are needed to ensure the Program in the Netherlands complies with host-nation requirements.

## **Risk of Noncompliance**

Noncompliance with the requirements of receiving utility tax exemption (whether intentional or not) may negatively impact international relations as well as increase the chance of the Ministry of Finance revoking the tax relief privilege. Additionally, utility providers may be less willing to offer tax-free services if payment is not guaranteed. For example, one of the main providers of gas and electricity to DOD personnel in the Schinnen area stopped providing tax-free utilities on January 1, 2009. At the time of our audit, only two companies<sup>5</sup> were participating in the Program in the Schinnen commuting area—one water provider and one gas and electricity provider. If DOD personnel lose the ability to receive tax-free utilities, then Program participants' utility bills will increase by 19 percent. Military members and non-LQA recipients will personally bear the additional costs, while DOD will bear the additional costs for LQA recipients (as long as the recipient's LQA is below the maximum allowed).

## **Management Actions**

On November 24, 2009, IMCOM-Europe issued a revised U.S. Army Europe Regulation 215-6, which included guidance for the Netherlands utility tax relief program. See Appendix C for the section of the revised regulation that pertains to the utility tax relief program.

## **Recommendations, Management Comments, and Our Response**

**1. We recommend that the Regional Director, U.S. Army Installation Management Command, Europe Region:**

**a. Develop regulatory guidance that clearly outlines the policies and procedures necessary to operate a utility tax relief program in the Netherlands that is in compliance with host-nation requirements.**

**b. Monitor and assist in implementing the guidance developed.**

### ***Regional Director, U.S. Army Installation Management Command, Europe Region Comments***

The Acting Chief of Staff, responding for the Regional Director, agreed and stated that the U.S. Army has identified the compliance issue, developed regulatory guidance, and

---

<sup>5</sup> At the time of our audit, a total of eight utilities companies served the Schinnen commuting area—one water provider and seven gas and electricity providers.

will amend U.S. Army Europe Regulation 215-6 to incorporate the policy and procedures necessary to operate the utility tax relief program in the Netherlands according to host-nation requirements. The Acting Chief of Staff also stated that they will monitor the implementation of the developed policy and procedures by U.S. Army Garrison Schinnen.

### ***Our Response***

The Regional Director, U.S. Army Installation Management Command, Europe Region, comments were responsive, and the actions meet the intent of the recommendations.

**2. We recommend that the Garrison Commander, U.S. Army Garrison Schinnen, modify the current Utility Tax Avoidance Program to comply with the guidance developed by Regional Director, U.S. Army Installation Management Command, Europe Region as a result of Recommendation 1.a.**

### ***Garrison Commander, U.S. Army Garrison Schinnen Comments***

The Garrison Commander, U.S. Army Garrison Schinnen, agreed and stated that the U.S. Army will, in coordination with U.S. Army Garrison Benelux, modify the Utility Tax Avoidance Program to comply with the guidance developed by the Regional Director, U.S. Army Installation Management Command, Europe Region, in response to Recommendation 1.a. The Commander also stated that the program will be modified to comply with the new guidance within 2 months of the date that the guidance is issued. The Commander further stated that the Garrison will report implementation of the program modifications to U.S. Army Installation Management Command, Europe Region.

### ***Our Response***

The Garrison Commander, U.S. Army Garrison Schinnen, comments were responsive, and the actions meet the intent of the recommendations.

## **Appendix A. Scope and Methodology**

We conducted this performance audit from February through October 2009 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We reviewed the Program operations at the U.S. Army Garrison Schinnen. We limited our fieldwork to U.S. Army Garrison Schinnen because IMCOM-Europe identified it as the only location in the Netherlands with a utility tax relief program.

We reviewed applicable laws, policies, and agreements. We interviewed IMCOM-Europe and FMWRC officials responsible for the following areas as they relate to the Program:

- administration,
- policy,
- legal, and
- oversight.

### **Use of Computer-Processed Data**

We did not use computer-processed data during this audit.

### **Prior Coverage**

No prior coverage has been conducted on utility tax relief in the Netherlands during the last 5 years.

## Appendix B. Criteria

The following laws, policies, and agreements were applicable to this audit.

- DOD Regulation 7000.14R, “DOD Financial Management Regulation,” volume 10, Chapter 6, “Federal, State, Local, and Foreign Taxes,” February 1996, states that the U.S. Government’s right to foreign tax exemptions is based on the tax agreements with foreign countries, which are outlined in the Status of Forces or Government tax agreements with the foreign countries.
- DOD Instruction 5100.64, “DOD Foreign Tax Relief Program,” March 30, 2006, states that,

It is DOD policy to secure, to the maximum extent possible, effective relief from all foreign taxes wherever the ultimate economic burden of those taxes would, in the absence of such relief, be borne by funds appropriated or allocated to the Department of Defense or under the control of its nonappropriated fund activities.

When the cost of effective tax relief outweighs the benefit obtained, tax relief will be considered impractical. It also states that it is the responsibility of the Commanders of the Combatant Commands to “issue management procedures to guide and coordinate the administration of the DOD Foreign Tax Relief Program throughout their respective areas of responsibility, as appropriate.”

- The European Command Directive 45-8, “Foreign Tax Relief Program,” May 8, 2007, prescribes policies and procedures to implement the DOD Foreign Tax Relief Program in the European theater and appoints the Commander of U.S. Army Europe as the designated military commander for the DOD Foreign Tax Relief Program in Belgium, Germany, and the Netherlands.
- The U.S. Army Europe Regulation 215-6, “Morale, Welfare, and Recreation Individual Tax-Relief Program,” January 24, 2003, states that it is the responsibility of the Regional Director of the IMCOM-Europe to administer tax relief policies, procedures, and pricing in Belgium, Germany, and the Netherlands.
- The North Atlantic Treaty Organization, “Status of Forces Agreement,” June 19, 1951, is an agreement between the Parties to the North Atlantic Treaty regarding the status of their forces and was established to define the status of one Party’s forces while in the territory of another Party. However, the decision to send forces and the conditions under which they will be sent is subject to separate arrangements between the Parties concerned, as long as the conditions are not already outlined in the present Agreement.

- The Soesterberg Agreement, August 13, 1954, is the stationing agreement between the Netherlands and the United States. The Agreement does not provide tax exemptions to individual members of the U.S. Forces with respect to utilities.
- The Ministry of Finance letter, “Exemption from Energy Control Tax,” November 10, 1997, serves as the Government’s approval for DOD personnel to receive tax relief on their individual utility bills.



# Appendix C. Updated Portion of U.S. Army Europe Regulation 215-6

Headquarters  
United States Army Europe  
United States Army Installation Management Command  
Europe Region  
Heidelberg, Germany

Headquarters  
United States Air Forces in Europe  
Ramstein, Germany

Army in Europe  
Regulation 215-6\*

USAFE  
Instruction 34-102\*

24 November 2009

Morale, Welfare, and Recreation

Individual Tax-Relief Program

---

\*This publication supersedes AE Regulation 215-6/USAFE Instruction 34-102, 3 August 2009.

---

For the Commander:

BYRON S. BAGBY  
*Major General, US Army  
Chief of Staff*

ROGER E. BRADY  
*General, USAF  
Commander*

Official:



DWAYNE J. VIERGUTZ  
*Chief, Army in Europe  
Document Management*



JOHNNIE SEWARD  
*Colonel, USAF  
Acting Director, Personnel and Manpower*

---

**Summary.** This publication provides policy and procedures for administering tax-free purchases of goods and services in Germany.

**Summary of Change.** This revision—

- Replaces *560th Military Police Company* with *United States Forces Customs - Europe* throughout.
- Adds information about the management of tax relief in Belgium (para 8b).
- Expands the Utility-Tax Avoidance Program to include the Netherlands (app C).

**Applicability.** This publication applies to authorized members of the U.S. Forces and other Sending States with NATO status who are entitled to tax relief through IMCOM-Europe Community Morale, Welfare, and Recreation Fund (CMWRF) and USAFE Services Fund activities.

## APPENDIX C UTILITY-TAX AVOIDANCE PROGRAM

### C-1. GENERAL

a. Several military communities in the Army in Europe and USAFE have tax-relief offices (TROs) that provide value-added tax (VAT) relief on utilities to active-duty military and authorized civilian members of the U.S. armed forces who live in private rentals.

b. The procedures in this appendix will be adhered to in Germany and the Netherlands for utilities tax relief. Utilities tax relief in the Netherlands also requires coordination with the Northern Law Center, especially for the adaptation of agreement with the utility vendor. That document must be in compliance with the written guidance of each host nation.

### C-2. PROGRAM PROVISIONS

a. The Utility-Tax Avoidance Program (UTAP) provides an opportunity to obtain tax relief on individual utility bills. VAT rates as currently set by the German Government for various utilities are as follows (rates may differ in the Netherlands):

Electricity	19 percent
Natural Gas	19 percent
Water	7 percent

b. Electricity (*Strom*) tax and natural gas tax (tax rates between 8 and 12 percent depending on the price per unit) can be avoided by joining UTAP.

c. The delivery of tax-free utilities in Germany and the Netherlands can be arranged by an IMCOM-Europe Family Morale, Welfare, and Recreation (FMWR) or USAFE Services office subject to the following conditions:

- (1) The utility provider is willing to enter into a delivery agreement with the local TRO.
- (2) Utilities are delivered and billed to authorized members of the U.S. Forces. Tax exemption is not authorized if the bill is made out to a person who does not have privileges (for example, a German or Dutch landlord).
- (3) U.S. Forces members do not order utilities on their own without the participation of the tax-relief and UTAP office. The use of individual tax-relief VAT-relief forms is prohibited.
- (4) Billing adjustments and credits are made no later than the end of the billing year.

**NOTE:** Security deposits previously made by members of the U.S. Forces to utility companies will be refunded no later than the end of the current billing year. Newly arriving personnel are not required to pay a deposit if they enroll in the UTAP.

d. Customers must establish automatic utility-bill payments through the community bank, a German or Dutch bank, or a credit union. The banking institution will provide an eight-digit bank code to avoid late transfers.

e. Most utility companies will determine an estimated (or prorated) monthly payment amount (*Abschlag* in Germany) for a dwelling.

f. At the end of each annual billing period, utility companies will inform users whether they consumed more or less than the estimated consumption amount. If they have consumed more, an additional payment will be required and added to the next bill. If they have consumed less, they will receive a credit against the next billing period. A reconciliation will also be made when services are terminated.

g. Not later than 4 weeks before vacating privately rented housing, the customer must notify the TRO and the utility company to make an appointment for conducting a final meter reading. Failure to do so may result in fines and penalties being levied against the customer by the utility company, TRO, or both. Customers who change residences or utility providers must inform the TRO to receive continued tax-free support for utilities. Customers who do not provide this information to the TRO will not receive tax exemption.

h. An enrollment fee of \$77 will be charged to cover administrative costs. This fee covers the entire duration of service during an assignment or tour with the same German or Dutch address. This fee is due at each VAT office where U.S. Forces members request UTAP service and when the address of the U.S. Forces member changes (for example, the member moves from one dwelling to another). Military members and DOD employees should include this fee as a part of their housing and move-in expenses on appropriate claims and reimbursement forms.

### **C-3. REGISTRATION REQUIREMENTS**

To be eligible for the UTAP, the following must be presented to the TRO:

- a. Active duty or DOD civilian ID card.
- b. Official orders (active duty only).
- c. Signed rental agreement from the housing referral office or landlord, or proof of home ownership.
- d. Utility company billing information for each utility company used by the Servicemember.
- e. A \$77 registration fee. This may be paid by cash, check, money order, credit card, or travelers check.
- f. Spouse's name and social security number (if applicable).
- g. UTAP registration form filled out by the customer.

### **C-4. UTAP REQUESTS AND CONTRACTS**

a. To participate in the UTAP, personnel should request utility-tax relief. Figure C-1 is a sample request. Local TROs will provide copies of these requests and information on where to send them.

b. When a request is approved, the TRO will coordinate with participating utility companies to provide tax-free utilities. Figures C-2 and C-3 are standard UTAP contracts to be entered into by TROs with utility providers.

c. TROs will help customers by answering utility-related questions, translating documents, determining and explaining bill rates, and handling other utility-related problems.

# U.S. Army Installation Management Command, Europe Region Comments



DEPARTMENT OF THE ARMY  
UNITED STATES ARMY INSTALLATION MANAGEMENT COMMAND  
EUROPE REGION  
UNIT 29353, BOX 200  
APO AE 09014-0200

IMEU-IR

OCT 28 2009

MEMORANDUM THRU United States Army Installation Management Command (IMIR), 2511 Jefferson Davis Highway, Arlington, VA 22202-3926

FOR Department of Defense Office of Inspector General (Audit Office), Unit 23152, APO AE 09227-3152

SUBJECT: Command Reply, DODIG Draft Report, Audit of Utility Tax Relief Program in the Netherlands (Project No. D2009-D000JB-0144.000)

1. IMCOM-Europe has reviewed the subject draft report and concurs with the recommendation, conclusions, and discussions. Specific comments concerning the recommendation and target date are enclosed.



FOR THE DIRECTOR:

Encl

  
ROBERT F. HENDERSON  
Acting Chief of Staff

**IMCOM-Europe Reply to  
Draft DODIG Report for  
Utility Tax Relief Program in the Netherlands  
(Project No. D2009-D000JB-0144.000)**

**Utility Tax Relief Program in the Netherlands**

**Objective:** Determine whether DOD is effectively using the utility tax relief program in Germany and the Netherlands.

**Conclusion:**

- DOD is not complying with the requirements established by the Dutch Ministry of Finance for DOD personnel to receive tax-exempt utilities.
- The program by the USAG Schinnen VAT office does not guarantee the payment of participant tax-free utility bills. The program is not operating as intended because IMCOM-Europe has not provided written guidance or adequate oversight. Noncompliance with host-nation requirements may adversely affect international relations as well as increase the chance of the Dutch Government revoking the tax-relief privilege.

**For the Director,  
United States Army Installation Management Command, Europe Region**

**Recommendation:** We recommend that the Director, IMCOM-Europe—

- Develop regulatory guidance that clearly outlines the policy and procedures necessary to operate a utility tax relief program in the Netherlands that complies with host-nation requirements.
- Monitor and assist in the implementation of the guidance developed.

**Action Taken:** Concur.

- The IMCOM-Europe HNLFOA has already identified this matter, developed regulatory guidance, and will amend AE Regulation 215-6 to incorporate the policy and procedures necessary to operate the utility tax relief program in the Netherlands according to host-nation requirements. The revised regulation should be published by 30 November 2009.
- The IMCOM-Europe HNLFOA will also monitor the implementation of these policy and procedures by USAG Schinnen.

# U.S. Army Garrison Schinnen Comments



DEPARTMENT OF THE ARMY  
UNITED STATES ARMY GARRISON SCHINNEN  
UNIT 21602  
APO AE 09703-1602

IMEU-SCH-MW

MEMORANDUM THRU

*James R. [Signature] 10/20/01*  
Commander, USAG Benelux (IMEU-CHV-ZA), Unit 21419, APO AE 09708-1419  
Commander, IMCOM-Europe (IMEU-JR) Unit 29353, Box 200, APO AE 09014  
United States Army Installation Management Command (IMIR), 2511 Jefferson Davis Highway,  
Arlington, VA 22202-3926

FOR Department of Defense Office of Inspector General, Audit Office, Unit 23152, APO AE  
09227

SUBJECT: Command Reply, DODIG Draft Report, Audit of Utility Tax Relief Program in the  
Netherlands (Project No. D2009-D000JB-0144.000)

1. I have reviewed and acknowledge the subject DODIG report detailing the DoD requirement to have a functional utility tax relief program in the Netherlands. As described in the report, the VAT program here at USAG Schinnen is not in compliance with the DoD guidance. Specifically as detailed in the report, we do not have standing agreements with local utility companies guaranteeing payment of delinquent accounts and we do not have an IMCOM-E approved written policy authorizing and providing oversight for the utility tax relief program. It is common knowledge that noncompliance with any host-nation requirement may negatively impact international relations. In this instance, noncompliance may increase the chance of the Netherlands Government revoking the tax relief privilege altogether.

2. As recommended in the DODIG report, we desperately need a policy approved by IMCOM-E before we can begin correcting this problem at the lowest level. I will coordinate through USAG Benelux to provide action officers as needed to work with the Benelux and IMCOM-E action officers to develop the policy. This will ensure that the nuances we experience here in the Netherlands are completely understood and addressed in the new policy. Timelines for implementation of the new policy will be developed once the new policy is received; however, the goal is not to exceed six months. Lastly, we will ensure regular updates are provided through USAG Benelux to IMCOM-E on our progress.



*[Signature]*  
FERN O. SUMPTER  
LTC, MI  
Commanding

**USAG Schinnen Reply to  
Draft DoDIG Report for  
Utility Tax Relief Program in the Netherlands  
(Project No. D2009-D000JB-0144.000)**

**Utility Tax Relief Program in the Netherlands**

**Objective:** Determine whether DOD is effectively using the utility tax relief program in Germany and the Netherlands.

**Conclusion:** DOD is not complying with the requirements established by the Netherlands Ministry of Finance for DOD personnel to receive tax-exempt utilities.

The program by the USAG Schinnen VAT office does not guarantee payment of its participants' tax-free utility bills. The program is not operating as intended because IMCOM-Europe has not provided written guidance or adequate oversight. Noncompliance with the host-nation requirements may negatively impact international relations as well as increase the chance of the Netherlands Government revoking the tax relief privilege

**For the Commander,  
U.S. Army Garrison Schinnen**

**Recommendation 2:** We recommend that the Garrison Commander, U.S. Army Garrison Schinnen, modify the current Utility Tax Avoidance Program to comply with the guidance developed by the Regional Director, U.S. Army Installation Management Command – Europe as a result of Recommendation 1.a.

**Action Taken: Concur.** The Commander of USAG Schinnen, in coordination with USAG Benclux, will modify the Utility Tax Avoidance Program to comply with the guidance developed by the Regional Director in response to recommendation 1.a. The program will be modified to comply with the new guidance within 2 months of the date that it is issued. The Garrison will also report implementation of the program modifications to the IMCOM Europe HNL- FOA.





# Inspector General Department of Defense